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## ENVIROMENTAL PROTECTION AS A FUNDAMENTAL PART IN TOURISM DEVELOPMENT AND INSURANCE INDUSTRY COMMITMENT TO SUPPORTING IT

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**Abstract:** In recent decades, tourism has become a full-fledged industry contributing significantly to the economic and social development of a large number of countries. In order to guarantee sustainable development of the environment for the future generations, insurers are ready to face with the new challenge as the investment in the sustainable development is very great.

**Keywords:** tourism industry, insurance industry, sustainable development.

### INTRODUCTION

Tourism, as a phenomenon of modern human development, is rapidly moving forward toward its own perfection. The percentage participation in the total structure of the migrants who are traveling in order to meet their tourist needs also increases.

The tourist influences are numerous and of diverse qualitative consequences for the sociability of the humankind, starting with the discovery of new geographical environments, the connection and communication among people.

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The following definition of tourism was officially adopted by the United Nations Statistical Commission in 1993: 'Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes'<sup>2</sup>.

According to WTTC estimates, travel and tourism achieved the following economic impact directly and indirectly in 2001:

- USD3.3 trillion contribution to global GDP, almost 11% of total GDP;
- 207 million jobs worldwide, over 8% of all jobs;
- USD630 billion in capital investment, almost 9% of all capital investment.

The substantial growth of the international tourism activity is one of the most remarkable economic and social phenomena of the past century. According to the World Tourism Organisation, the number of international tourist arrivals increased from 25 million in 1950 to 760 million in 2004, corresponding to an average annual growth rate of 6.6 percent. The revenues generated by those tourists, i.e. their international tourism receipts, grew by 11 percent per annum over the same period. This rate of growth far outstrips that of the world economy as a whole and makes international tourism one of the largest categories of international trade.<sup>3</sup>

## 1. ENVIRONMENTAL DIMENSIONS

The direct environmental impact of tour operators is relatively limited, but there are ways in which they can have a positive influence. Tour operators communicate with customers mainly through paper-based media, therefore brochures need to be used efficiently and to be sourced from renewable forests and recycled whenever possible.

Offices need to consume as little energy as possible and customers need to be encouraged to make choices and to behave in ways that are socially and environmentally acceptable. In considering the indirect effects of tour operators encouraging people to travel, a distinction needs to be made between developed and developing nations when considering environmental action.<sup>4</sup>

### 1.1. Energy emissions

Tour operators encourage people to travel from their local airport, which usually means a taxi or a car journey. (A taxi journey is twice as long as that by the owner-driver, and doubles energy consumption/emissions).

Airports have been extended as a result of consumer demand – larger aircraft are now used. Tour operators seek out the lowest seat mile costs – this requires in turn, high-density seating and fuel-efficient modern aircraft operating at high load factors. The resulting emissions of noise, CO<sub>2</sub> and NO<sub>x</sub> per passenger are lower than for other forms of aviation, but nonetheless would not have occurred had customers stayed at home.

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<sup>2</sup> World Travel & Tourism Council, The Beacon Press, 2000

<sup>3</sup> World Travel & Tourism Council, International Hotel & Restaurant Association, International Federation of Tour Operators, International Council of Cruise Lines and United Nations Environment Programme, United Kingdom, 2002

<sup>4</sup> Journal of Economic Cooperation, 2006

Customers are usually transported from the destination airport to the hotel by modern diesel-engined or gas-powered coaches which can carry up to 58 people and have low seat/mile CO<sub>2</sub> emissions. These vehicles reduce the incidence of car traffic by more than 25 times. However, in many developing countries these are not available; LPG (liquid petroleum gas) or CNG (compressed nitrogen gas) distribution is extremely limited.

Indeed, the moral, social and political arguments for conducting business in an environmentally-sound manner are becoming more and more widely accepted. This is particularly noteworthy given the potential impacts the industry can have on air quality, energy and water consumption, land use and waste generation.

Although less 'polluting' than some other industries such as certain manufacturing processes, hospitality businesses, like most others, contribute to emissions into the atmosphere (through the use of fossil fuels and ozone-depleting substances and the transportation of supplies). The hospitality industry can also be considered a significant user of energy in the form of heat and power.

As this directly involves the burning of fossil fuels and the mission of greenhouse gases, the hospitality industry is also an indirect contributor to global warming. As a result, industry bodies regularly draw attention to the importance of eliminating ozone-depleting substances in refrigeration, air-conditioning and fire-extinguishing appliances to avoid further contributing to this phenomenon.

Water is perhaps the hospitality industry's most important resource. Tourists typically consume considerably more water than local residents. A hotel can consume between 60m<sup>3</sup> and 220m<sup>3</sup> per guest room per year depending on the facilities provided and whether sound water conservation practices are in place, such as water flow restrictors and on-site waste water treatment facilities.

Most hotels generate large quantities of solid waste including bottles and food packaging, kitchen and garden waste, old furniture and equipment and potentially hazardous wastes such as asbestos and solvents. Waste disposal costs money and for this reason, hotels are increasingly careful to reduce waste volumes because it makes sound business sense. They do so by minimising the materials used in the first place, recycling and reusing waste materials wherever possible, and by safely disposing of residual wastes. The Orchid Hotel in Mumbai, India, provides a particularly good example of innovative recycling and waste disposal. Virtually all in-room products are reusable or recyclable, paper usage is kept to a minimum and kitchen waste is composted in on-site vermiculture pits.

## **2. MAKE A DIFFERENCE WHEN YOU TRAVEL – AND GET MORE OUT OF YOUR HOLIDAY**

You've just booked your dream holiday—a round the world adventure or a relaxing fortnight on a sun-kissed beach. But how will your travels affect the people and the places you visit? Will your plane generate huge amounts of greenhouse gases getting you there? Will your off-the-beaten-track excursions harm indigenous cultures? It doesn't have to be like this—there are ways to minimize the negative effects of your dream

holiday and even have a positive impact on the country you visit. Here are just a few pointers:

Before you go: Think about where your money goes when booking your holiday. For example staying in locally owned accommodation will benefit local families—ask your tour operator. When you’ve finished with your holiday brochures, pass them on to a friend or recycle them.

On the flight: The amount of carbon burnt fuelling your flight will do more damage to the environment than any other aspect of your travels. Organisations like Climate Care and Carbon Neutral can help you offset your carbon emissions by investing in projects that prevent or remove an equivalent amount from the atmosphere. Read up on the countries you plan to visit—make sure you’ve got a good guidebook. The welcome will be warmer if you take an interest and speak even a few words of the local language.

Shop responsibly: Don’t buy products made from endangered species, hardwoods, shells, or ancient artifacts. If in doubt—please don’t buy. Respect the local culture. Respect local cultures, traditions and holy places. For example, ask permission before you photograph local people and dress appropriately at all times. Realize that the people in the country you are visiting often have different time concepts and thought patterns from your own. Remember that you’re on holiday—don’t expect people to be the same as back at home. Ask questions rather than assume you have all the answers beforehand.<sup>5</sup>

Use natural resources sparingly: In many destinations natural resources such as water, wood and fuel are precious—local people may not have enough for their own needs. Help conserve resources in your hotel, lodge or camp by turning off (or down) heating, air conditioning, lights and the TV when not required. Let staff know if you are happy to re-use towels and bed linen rather than having them replaced daily.

Help preserve the environment and wildlife: Don’t support activities which exploit wild animals. Swimming with dolphins, watching dancing bear performances and having your photo taken with lion and tiger cubs, monkeys or snakes can condone and encourage animal cruelty.

### **3. SUSTAINABLE DEVELOPMENT: WHAT IS THE FUTURE OF INSURANCE?**

In order to guarantee sustainable development of the environment for the future generations, insurers are ready to face with the new challenge as the investment in the sustainable development is very great. Supporting Alla Gorey, 80 general managers of Dutch companies have united concerning the issue of environment. Climatic warming brings to new risks which lead to unavoidable need to further analyses of natural catastrophes, and the new technology in the sector of restorable/renewable and biodegradating energy create new insurance situations.

Sustainable development includes pensions, health insurance, insurance of disabled – where financing of pensions is in the focus of sustainable development.

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<sup>5</sup> Travel Insurance Agencies Limited, Norwich, Norfolk, United Kingdom 2006

Insurers are especially interested in preventive investment. Axa, Generali, Groupama have already moved towards prevention of road accidents, especially when young drivers are in question or pedestrian protection. Companies become more and more aware of responsibility to invest in social security of their employees. Various insurance companies have the sustainable development on their internal agendas like reduction of energy consumption, recycling of used material and efficient management with the firm and investments.

Fortis came top of the league for its syndicated financing of clean energy projects in 2006, with a total of USD 1.4 billion financing 12 projects. Fortis also moved up the league of 'lead arrangers' – coming in at number 13 for 2006.

Fortis is an international financial services provider engaged in banking and insurance. We offer our personal, business and institutional customers a comprehensive package of products and services through our own channels, in collaboration with intermediaries and through other distribution partners. With a market capitalisation of EUR 40.3 billion (31/05/2007), Fortis ranks among the twenty largest financial institutions in Europe. Our sound solvency position, our presence in 50 countries and our dedicated, professional workforce of 60,000 enable us to combine global strength with local flexibility and provide our clients with optimum support.

Frans van Lanschot, CEO of Fortis Energy, Commodities and Transportation department said: "Fortis's meteoric rise up the clean energy league tables demonstrates the company's dedication to sustainability. Clean energy is a Fortis speciality, and we remain fully committed to expanding our services in this field."<sup>6</sup>

As part of a far-reaching corporate social responsibility programme, Fortis is fully committed to caring for the environment. Since January 2007, Fortis has been carbon-neutral across the globe. This involves saving energy, buying green electricity and offsetting any residual CO<sub>2</sub> emissions. Fortis is furthermore fully committed to carbon banking operations – a field where we are already a leader. Fortis also offers a wide range of sustainable products - from 'clean car' insurance and cheaper loans for less-polluting vehicles, to sustainable investment funds. Moreover, Fortis Investments has developed a website devoted to sustainable development allowing you, among other things, to calculate your own ecological footprint: <http://www.footprint.fortis.com/calculator>

Another insurance company, ING Group announces to target for carbon neutrality by the end of 2007, through the reduction and/or compensation of all its global carbon emissions. ING will reach carbon neutrality by extending its current energy programme by the following measures:

- Continuing efforts to increase energy efficiency
- Expanding the purchase of green energy
- Compensation of all remaining CO<sub>2</sub> emissions through reforestation

ING is a global financial institution of Dutch origin offering banking, insurance and asset management to over 60 million private, corporate and institutional clients in more than 50 countries. With a diverse workforce of about 115,000 people, ING comprises a broad spectrum of prominent companies that increasingly serve their clients

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<sup>6</sup> [www.fortis.com](http://www.fortis.com)

under the ING brand. ING already compensates all of its global business travel by supporting the planting and rehabilitation of 300 hectares of degraded tropical rainforest in Malaysia. And, as from January 2007, all electricity purchased for the Dutch ING offices come from renewable sources. The current and new measures are expected to result in a net CO<sub>2</sub> emission of zero, which will make ING carbon neutral by the end of 2007. Michel Tilmant, chairman of ING Group, stated: "ING is committed to conducting its business responsibly. Environmental protection is a fundamental part of this commitment. Climate change, or global warming, is widely considered to be one of the greatest challenges facing our planet. ING has a role to play by developing strategies to manage the increasing risks and opportunities involved." ING will issue a climate change statement in the coming months to express its commitment communicated today in more detail. In the coming years, ING will research the possibilities to further increase existing renewable energy financing and to initiate new carbon friendly products.<sup>7</sup>

The hospitality and insurance sector, as demonstrated in this paper, has done much to improve its performance in terms of sustainable development and eco aspect.

Over the next ten years, however, the industry will face new challenges as it gears up for further growth in a period where social and environmental sensitivity are becoming progressively more acute. This, in conjunction with the fact that global capital flows will exert pressure on managers to provide greater returns on investment, makes for an even more challenging context in which the hospitality sector must focus its efforts on making progress in the following specific areas:

- protect the natural environment and cultural heritage,
- conserve plants and animals, protected areas and landscapes,
- respect the integrity of local cultures and their social institutions.

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<sup>7</sup> [www.ing.com](http://www.ing.com)